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LABOR AND THE DEMOCRATIC CONTROL OF RAILROADS

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THE Conference on the Democratic Control of Railroads is not definitely committed to any plan. Its program differs from that of other organizations in suggesting that the railroad problem is so intimately related to the industrial life of America that there should be delay in the return of the railroads to their owners either for a definite period or indefinite period. In the interim a commission should be created, made up of all interests, financial, industrial, manufacturing, commercial, agricultural, and labor; and this commission should make a study of the railroad question, not as a railroad problem, but as an industrial problem, thinking in terms of the one hundred million people of the country—the manufacturer, the farmer, the producer—in order that the railroads of the country shall become an agency in which the emphasis is placed upon service to the entire country. The railroads should not be treated as though they were a private business, similar to a bank, a department store, a hotel, or some other private agency.

In other words, our organization is emphasizing the need of the entire country for a means of circulation, organized so that it will radiate to the smallest, most obscure village, to the smallest producer, so that he will have at hand—close at hand—a sympathetic instrument, not only for the hauling of his wealth, but the hauling of his person, wherever it should go. And we are urging upon Congress that it stay its hand, as was done in the matter of banking and currency legislation, until this critical agency, the most critical of all the agencies of the country, may be studied from this viewpoint, with the emphasis placed upon the real function which a transportation agency should perform.

I wonder, though I am not urging the government ownership of the railroads as the best way out of the present difficulty, if government operation of the railroads is as bad as we are led to believe. The statistics show that the number of people killed and injured under federal control is very much less than it was under private control. That is a gain. We are led to be-

lieve that the railroads, under government operation, have been building up a continuous deficit. That point is much emphasized; but beginning in July, the railroads turned the corner, as soon as any one had a right to expect them to. They paid the standard return, operating expenses, and everything else. In August the surplus was \$12,000,000, and in September it was \$19,000,000. Why did they not earn a surplus in the previous two years? Because the railroads during those years were run for winning the war, and Secretary McAdoo ran his trains filled with goods to the seaboard, and ran them back empty in order to get more goods. No one expected any agency during the war to do anything else but win the war. Then there was a period after that in which everything was disorganized. In some industries there were surpluses, and in others which had not yet begun to function normally there was a continuing deficit. The wage roll of the railroads was piled up over nine hundred million dollars under government operation. Does any one suppose there would have been no increases in wages under private control? They might have been less, they might have been greater; no one can tell. But in connection with that nine hundred million which we hear so much about, we do not hear that there were 145,000 employees put on for the purpose of speeding up war production.

Weeks before the government took the railroads over, there was no freight moving, as I recall it. Little, if anything, moved in New England, and scarcely anything out of Pennsylvania and the West. Within three weeks after the government took them over, something happened to that congestion. Freight again began to move, and it has been moving ever since. The months before the war—I am a commuter, and I know—there was scarcely a month, sometimes scarcely a week, when the New York dailies did not carry a headline of a smash on the New Haven. There have been no such headlines that I recall since the government took over the railroads. The other day I read, in the report of the regional directors who are actually operating the railroads, of the economies they had effected—not waste. We assume these men have been wasters, but the economies due merely to the better utilization of the physical properties totaled over two hundred million dollars, and that did not include the ten or twelve million from reduction in salaries, and many, many millions from other things. These economies may or may not have been wise. I merely mention them to suggest that government officials do not

consciously and intentionally, apparently, waste money. They are not wasters.

Not only is this true, but the railroads have been out of politics, out of politics, I mean, in the big way. Managers were able to devote themselves to railroading. They were interested, or they should have been interested, in making transportation efficient. And a large number of men found a new satisfaction, a new joy, in operating the railroads as railroads rather than as financial, speculative, monopoly interests that existed and maintained their power through continued interference with our political life. In addition, all shippers had a fair deal. They were able to get a hearing. Independent coal operators found it easy to secure cars. The same is true of shippers of food products. The freight car had no particular home. It was sent anywhere. The same was true of motive power. Freight cars were loaded more nearly to their total capacity as were freight and passenger trains. Hundreds of needless competitive passenger trains were eliminated. The best roads were used for hauling freight while other roads were used for hauling empties. Long, circuitous hauls were eliminated. Goods were routed by the most direct way possible. Terminals were consolidated. They, too, were used efficiently. Thousands of passenger offices were eliminated as were hundreds of needless officials. And only a beginning has been made in economies of this sort. For it was necessary to maintain the integrity of the private lines in view of their probable return to their owners. No one can yet estimate the economies that could ultimately be made if the Government definitely merged the 250,000 miles of railway into a single operating system.

Coming now to the specific details of the Plumb Plan, I find I differ from the suggestions that have been made that the real question is a question involving the investor, the wage-earner and the public; that we should seek to work out a plan which satisfies these three interests and then we will have a proper transportation system. That, I believe, is impossible under private control. Such a solution but continues the controversy. The main function of a railroad is transportation. Its purpose is to serve the entire community. The interests of the investor and the wage-earner are incidental to this end. This is the motive of railway operation in foreign countries, where public ownership is everywhere accepted.

Personally, I have very little interest in any transportation

adjustment which looks upon the question merely as a continuing war of interests, and I think it is possible to work out a railroad solution and a transportation solution in which those interests will function freely, naturally, collectively together, so that transportation by rail will flow as naturally and freely as by water, and in which these conflicting groups will no longer conflict. Think of the waste involved in the maintenance of forty-eight state railroad commissions, the Interstate Commerce Commission, courts, railroad attorneys and other officials, chambers of commerce and associations fighting rates. The government itself, politics, the President, our whole life, is interwoven with conflict, when it might be interwoven with co-operative, mutual effort. Until transportation in this country becomes a co-operative agency, it will not be transportation primarily—it will be something else. It will be railroading, but it will not be a function like the circulatory system of the human body, as it should be, to serve the nation. The railroads should be an agency for the producers, not an agency of capital. They should be an agency of the state, literally what they are legally said to be, charged with a public use.

While the Conference on Democratic Control is not committed to any plan, I personally accept the principles, the underlying principles, forgetting the details, of the Plumb Plan, as a means, a mechanism, an organization, by which all of the agencies and factors interested in transportation will work and function together to service; not to profits or speculation, not to strikes, not to conflict in which our railroad commissions will be involved. Conflicts in the courts will be minimized, if they do not pass away altogether.

I have only time to enumerate the other elements which feature in the Plumb Plan. It provides for a board of directors of fifteen persons, five of whom are appointed by the President to represent the public; five are selected by the operating officials and five are chosen from the classified employees. There are to be regional organizations representative of the public, of the officials and the employees. For the Plumb Plan looks to the decentralization of railroad administration so that it will come in close contact with shipper, producer and consumer.

The earnings of the railroads are to be distributed as follows:

1. Operating expenses.
2. Interest on the funded debt.

3. A sinking fund of one per cent which will retire the debt and leave the railroads in the possession of the Government in from 40 to 50 years.

4. Surplus earnings, if such exist, will be divided into two parts: one-half to the Government and the other half to the operating force. This division allots to the public one-half of the savings due to improvements in the arts and the skill of the employees, and the other half goes to the labor which produces it.

Under this plan the railroads would be operated in trust for all parties in interest of producers and consumers, for investors and workers. The motive of operation would be changed. That is all.

Columbia University is, perhaps, as efficiently managed, as a trustee corporation, as the New Haven Railroad, and the same thing is true of the social clubs in this city. It is true, I think, of the Panama Canal; it is true of hospitals. This country, as some foreigner said when he was here some time ago, cannot go wrong, because there is no country in the world in which so many people are engaged in service activities, in which the people are inspired by service psychology as they are here. Only when it comes to profit-making corporations, or industry, we immediately draw a line down the center and say, "We can only do this by letting some one, some group, make as much money as possible out of it."

The proposal of the Plumb Plan, as I understand it, and as I have heard it expounded on a number of occasions, and as it is written in the bill proposed to Congress, is only incidentally a measure for enabling the workers to get a higher wage. Personally, I am perfectly willing to see that feature of the plan washed away, except for this reason: It is a symbol, a current symbol, a token—if you will—of partnership. It is a thing that suggests to men, "Here is a means of improving your condition by more effort, by more conscience, by using all of your energies." I like it for that reason.

But an increase of wages is not the essential feature of the Plumb Plan. The essential desire of the advocates of the Plumb Plan is to propose a measure for the operation of all the transportation agencies of the country; not railroads alone, but boats upon the lakes and the rivers; not these alone, but trucks which will go out to the manufacturer and will come to the ultimate consignee, giving a service that will radiate out to the farms as the

telephone or the postoffice does, and eliminate all waste between producer and consumer.

The Plumb Plan proposes a trustee corporation just like any other corporation; it proposes that the government shall buy the railroads by the issuance of its securities against private securities. Now I have heard the suggestion that this is an unthinkable thing because of the burden, the mortgage burden, on the American people from the interest on those bonds. The American people now pay interest on these bonds, and will continue to do so, whether the railroads are privately owned or publicly owned. We escape nothing, unless we escape the interest rates in making the change, and we do probably make a substantial saving of between $4\frac{1}{2}$ per cent and $6\frac{1}{2}$ per cent interest on twenty billion dollars, that is \$400,000,000 saved at the start by this conversion.

The Plumb Plan is not a means of turning the railroads over to the workers to exploit; it is not a mere shifting of control from capital to labor. Rather, the Plumb Plan fits in with all of the traditions of America. It fits in with three centuries of expansion and development. It harmonizes with all of our experience, as it does with the foundations of our life. For during these generations men worked for themselves. They owned their own tools. They were impelled by hope. They used their mind as well as their hand. They felt that their contributions redounded in part at least to their own advantage. They were only incidental wage-earners. They were really partners, full partners, in production. And the Plumb Plan looks to the awakening of the same kind of hope among the workers; it looks to dignifying them, to elevating their self-respect, to freeing them and calling forth their imagination. This is one way to stimulate productivity. This is also one way to end strikes. For men do not strike against themselves. Partners do not strike against one another. And with 2,000,000 men organized, as I believe they could be organized, to think of transportation as a collective enterprise dependent upon the good will of the community as well as on the contributions of the employees, the frictions and conflicts which now exist would tend to pass away while the motive of operation would be service to the community. For it would be through the best and cheapest service that the earnings of the railroads and the earnings of the men would be most rapidly increased. Irrespective of other considerations the freeing of

2,000,000 men from the wage relationship and the adding of this great army to the groups of men who have some economic stake in their work would be a gain of immeasurable value to the democracy of the country.